

CORRECTED DIRECT TESTIMONY OF
Dr. Ben Johnson
ON BEHALF OF THE
SOUTH CAROLINA SOLAR BUSINESS ALLIANCE

Before the
PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA

DOCKET NO. 2018-2-E

Introduction

1 **Q. PLEASE STATE YOUR NAME, TITLE AND BUSINESS ADDRESS.**

2 **A. Ben Johnson, 5600 Pimlico Drive, Tallahassee, Florida. I am a Consulting Economist**
3 **and President of Ben Johnson Associates, Inc., a consulting firm that specializes in public**
4 **utility regulation.**

5 **Q. ON WHOSE BEHALF ARE YOU PROVIDING THIS TESTIMONY?**

6 **A. I have been retained by the South Carolina Solar Business Alliance, LLC (“SBA”) to**
7 **assist in preparing and presenting evidence in this proceeding with respect to the Public**

1 Once the solution to the joint cost problem is explained, many people find it intuitively
2 logical and reasonable. The purchasers of both leather gloves and hamburgers both benefit
3 from the joint cattle feeding and slaughtering process, so it makes sense that both will
4 contribute to the joint production costs. Similarly, the demand for both beef and leather
5 products is strong, so it seems logical that market forces would lead consumers of both sets
6 of products to contribute toward the joint costs of raising and slaughtering cattle.

7 Different customers pay different amounts, depending on how much benefit they derive
8 from the joint production process. Those consuming the most highly valued products (for
9 which demand is strong) will pay the largest share of the joint costs, while those
10 consuming the least valuable products (for which demand is weak) will pay the least.

11 This principal applies not only to the distinction between beef and hides, but also to
12 different types of beef, or different sections of the hide. A customer that purchases
13 hamburger will end up paying less ~~more~~ per pound toward the joint costs of cattle
14 production than one who purchases standing rib roast or filet mignon.

15 **Q. WHAT ARE THE IMPLICATIONS OF THIS ANALYSIS FOR THE ISSUES IN**
16 **THIS PROCEEDING?**

17 **A.** Electrical energy production is a joint product when viewed across time. Capacity used
18 to generate electricity during the peak daytime hours is also available for use during other
19 hours. Under competitive conditions, when costs are joint across time, they will not be

CORRECTED SURREBUTTAL TESTIMONY OF
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Introduction

Q. PLEASE STATE YOUR NAME, TITLE AND BUSINESS ADDRESS.

A. Ben Johnson, 5600 Pimlico Drive, Tallahassee, Florida.

Q. HAVE YOU PREVIOUSLY SUBMITTED DIRECT TESTIMONY IN THIS PROCEEDING?

A. Yes.

Q. CAN YOU PLEASE RESPOND TO DR. LYNCH'S COMMENTS AT PAGE 41 CONCERNING SUMMER AND WINTER PEAKS?

A. Yes. Dr. Lynch's reasoning is reproduced below:

If SCE&G has to build a combined-cycle unit to meet its winter peak, but which also satisfies the need for summer capacity, then the fixed costs are incurred. In contrast, adding solar capacity, which only has an impact on capacity in the summer, does not avoid any of those fixed costs.¹⁶

There are three reasons why this line of argument is flawed.

First, there is no evidence that SCE&G will ever have any need “to build a combined-cycle plant to meet its winter peak” or that this would be an appropriate, cost-effective choice. To the contrary, there are better, less costly options for accommodating the infrequent, relatively short duration peaks that sometimes occur during cold weather. These options are much more logical, and less costly, than building a new combined cycle plant. Many of these options are classified as demand side solutions – which is particularly apt, since the Company's concern with meeting its winter peaks is primarily a demand-side issue (uncertainty concerning how customers will respond to severe winter weather conditions).

Demand-side options include the Standby Generator Program, Interruptible ~~Generator~~ Load Program, Real Time pricing, Time of Use rates, and a Winter Peak Clipping Program.¹⁷

¹⁶ Direct Testimony of Joseph M. Lynch Docket No. 2018-2-E, Pages 41-42.

¹⁷ SCE&G 2018 Integrated Resource Plan, pages 15-16.